



A PHI Company

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FILED VIA DELAFILE

Ms. Malika Davis
Public Utility Analyst III
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: PSC Docket No. 14-0295F - Gas Cost Rate Waiver Request

Dear Ms. Davis:

Delmarva Power and Light Company ("Delmarva") hereby requests a waiver from the requirement to file for an interim rate change due to the projected Gas Cost Rate ("GCR") Deferral exceeding 4 1/2% over recovery by the end of the current GCR year.

On August 29, 2014, Delmarva filed its annual Application for Approval of Modifications to its GCR. The Application sought a rate decrease which, if approved by the Public Service Commission ("Commission"), would result in a decrease on a typical residential heating customer's bill of approximately \$10.25 in a winter heating month.

On September 30, 2014, in Order 8646, the Commission approved rates to become effective for usage on and after November 1, 2014, with proration and subject to refund, pending further review and final decision by the Commission. Those rates were put into effect on November 1, 2014.

Section XX. D. of Delmarva's Gas Tariff provides that if, during a GCR year, in this case November 1, 2014 through October 31, 2015, an over recovery in the GCR is likely to exceed a threshold of 4 1/2 %, Delmarva shall apply for an interim GCR decrease.

D. *Interim Gas Cost Rate Changes*

If it appears at any time during the Application Period that the use of the GCR then in effect for the remainder of that period will result in . . . a net over-collection of such gas costs by more than 4 ½ % of such estimate the Company shall apply to the Commission for a change in the GCR and the Commission shall fix a new GCR for the balance of the Application Period which will correct for over-or-under recoveries by amortizing them over a twelve month period instead of zeroing them out by the end of the current Application Period.

Due to the continuation of below-normal temperatures experienced in March 2015, sales have exceeded the GCR sales forecast. Sales from March are almost 125,000 mcf more than the level expected in the GCR resulting in approximately \$3.2 million in higher sales revenue. In addition, the unit Gas Commodity Cost in March was \$1.12 per mcf lower than forecasted. Based upon the forecast for the remainder of the GCR year, as of March 2015 it appears that the GCR will exceed the 4 ½ % threshold by the end of the GCR year (October 31, 2015) by 1.7 % or approximately \$1.1 million (*See attachment*).

Although the Tariff calls for the filing of an interim GCR rate change should it appear that the 4 ½ % over recovery threshold will be exceeded, it appears that such a filing would not be in the best interests of Delmarva's customers for the following reasons:

1. An interim period modification of rates at this time would do little to reduce the size of the over collection by the next GCR period (which begins on November 1, 2015).
 - (a) The earliest that rates could be adjusted would be with meter readings on and after approximately June 1, 2015¹. The heating season would be over before decreased interim rates would take effect, and, as a result, there would be little reduction in the over recovery by the time the GCR is established for the upcoming 2015-16 GCR year.
 - (b) Any interim rate change must be set to reduce the over recovery over the subsequent twelve (12) month period, rather than by the end of the existing GCR period and thus would have only minimal impact by the end of the current GCR period.
2. Pursuing an interim modification of the GCR for such little benefit to customers would be an inefficient use of the time and resources of the Commission, Commission Staff, the Public Advocate and Delmarva.
 - (a) Accomplishing an interim GCR modification would require a significant amount of time and resources, including (i) preparation and filing of the necessary

¹ This date assumes that the Commission and Commission Staff would waive the normal sixty (60) day notice requirement associated with requests for rate increases.

application by Delmarva; (ii) review by Commission Staff and its consultant; (iii) review by the Public Advocate and its consultant; and (iv) review and approval by the Commission.

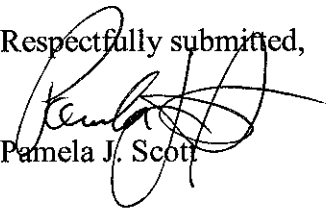
- (b) If the Commission were to approve the interim GCR decrease, placing the decrease into effect would also require (i) notification of customers through separate letter and billing message; and (ii) programming of new interim rates into Delmarva's billing and accounting systems.

Considering the fact that an interim rate decrease would do little to reduce the over recovery, the amount of time, effort and expense on the part of the Commission, Commission Staff, the Public Advocate and Delmarva that an interim rate decrease would entail is not justified under the circumstances.

For the reasons set forth herein, Delmarva respectfully requests that the Commission grant a waiver to Section XX. D. of the Tariff. We ask that Commission Staff treat this letter as Delmarva's request for such waiver.

Please feel free to contact me at (302) 429-3143 should you have any questions or require further information.

Respectfully submitted,



Pamela J. Scott

Attachment

cc: Susan Devito (w/attachment)
Robert Brielmaier (w/attachment)
Mario Giovannini (w/attachment)
Jim Jacoby (w/attachment)

Delmarva Power & Light Company
Comparison of Gas Expense and Recovery
For Delaware Firm Gas Operations
For November 2014 Through October 2015
5 Months Actual, 7 Months Estimated as filed in Doc 14-0295F

Billing Month	Firm Sales (Mcf)	Total GCR Revenue (\$)	Total Gas Cost (\$)	Reduction in deferral for LG LAUF	(Over) or Under Recovery Monthly (\$)	Deferred Fuel Balance YTD (\$)	% (Over) or Under Recovery (%)
Deferred Fuel Balance Including FPS WACCOG True-Up @ October 31, 2014						432,137	
FPS WACCOG True Up						0	
Interest Expense						(8,718)	
Deferred Fuel Balance @ November 1, 2014						<u>423,419</u>	
November 2014	701,812	4,104,277	7,749,381		3,645,104	4,068,523	
December 2014	1,626,985	8,709,525	9,616,442		906,917	4,975,440	
January 2015	2,629,497	14,050,397	11,254,965		(2,795,432)	2,180,008	
February 2015	2,622,255	13,997,378	12,595,411		(1,401,967)	778,041	
March 2015	2,609,371	13,938,128	8,702,571		(5,235,558)	(4,457,517)	
April 2015	1,244,425	6,649,966	4,623,153		(2,026,813)	(6,484,330)	
May 2015	566,414	3,039,399	2,048,548		(990,851)	(7,475,180)	
June 2015	326,843	1,766,510	1,934,084		167,574	(7,307,607)	
July 2015	246,159	1,337,918	1,995,705		657,787	(6,649,820)	
August 2015	217,083	1,184,228	1,968,069		783,841	(5,865,979)	
September 2015	223,698	1,219,751	2,059,798	0	840,047	(5,025,932)	
October 2015	353,223	1,909,013	2,785,705		876,692	(4,149,240)	-6.2%
Total	<u>13,367,765</u>	<u>71,906,490</u>	<u>67,333,832</u>	<u>0</u>	<u>(4,572,659)</u>		

Notes:

- (1) November 1, 2014 through October 31, 2015 Fuel Revenue is based on GCR of \$5.3563 Mcf as approved by Order No. 8646 in Docket No. 14-0295F dated September 30, 2014
- (2) Estimated Gas Cost Expenses and WACCOGs are based on August 12, 2014 NYMEX closing prices.